

**IN THE STATE OF MISSISSIPPI
BEFORE THE MISSISSIPPI REAL ESTATE COMMISSION**

MISSISSIPPI REAL ESTATE COMMISSION

COMPLAINANT

VS.

NO. 026-1804

**NATILYN C. MORRIS, PRINCIPAL BROKER
and MS HOME PLACE, LLC**

RESPONDENTS

AGREED ORDER

This cause came before the Mississippi Real Estate Commission (sometimes hereinafter "Commission") pursuant to authority of Miss. Code Ann. §73-35-1, et seq. on a formal complaint brought against Respondents Natilyn C. Morris, Principal Broker, and MS Home Place, LLC. Prior to a hearing before the Commission, it was announced that an agreement was reached as to the resolution of the matters alleged and any disciplinary actions that may be imposed upon the Respondent, Natilyn C. Morris Broker. By entering into this Agreed Order, Respondent Natilyn C. Morris waives her right to a hearing with full due process and the right to appeal any adverse decision resulting from that hearing. Having reached an agreement on the matter, the Commission issues its Findings of Fact, Conclusions, and Disciplinary Order as follows:

I.

Respondent, Natilyn C. Morris, sometimes hereinafter "Respondent Morris" or "Morris," is an adult resident citizen of the State of Mississippi whose last known address of record with the Commission is 405 Briarwood Dr., Ste. 107F Jackson, MS 39211. Morris has been an owner and responsible broker for MS Home Place, LLC. Respondent Morris is the holder of a real estate broker's license issued by the Commission pursuant to §§73-35-1, *et seq.*, M. C. A. (1972), as amended, and, as such, she is subject to the provisions, rules, regulations and statutes governing the licensing, sale and management of real estate under Mississippi law.

II.

Respondent, MS Home Place, LLC, sometimes hereinafter "Respondent Home Place" is a Mississippi limited liability company with its principal place of business now at 198 Charmont Dr., Ste. 3 Office 1 in Ridgeland, MS 39157. Respondent Home Place is a real estate company with license issued by the Commission pursuant to §§73-35-1, *et seq.*, M. C. A. (1972), as amended, and, as such, it is subject to the provisions, rules, regulations and statutes governing the licensing, sale and management of real estate under Mississippi law. At all times relevant to the allegations in this Complaint, Respondent Natilyn C. Morris was an owner and responsible broker for Respondent MS Home Place, LLC.

III.

On April 16, 2018 the Commission received a sworn statement of complaint from Clarence Ward, of Tacoma WA. His complaint was made against Natilyn C. Morris, then a salesperson with Neighbor Homes, LLC under broker John D. Ketchum. Respondent Morris is now the principal broker of MS Home Place LLC, which was originally located at 405 Briarwood Dr. Ste 107F, Jackson MS 39211. Ward was the owner of a rental property located at 410 Bogey Cove, Jackson, MS. In 2016, Ward's then property manager was downsizing operations and referred Respondent Morris to Ward to take over Ward's rental business. On 4/1/16, Ward entered into a property management agreement with Respondents Morris and MS Home Place. On the date this was done, however, Morris was but a salesperson then working at a brokerage firm licensed as Neighbor House, LLC, under principal broker John D. Ketchum. Ketchum was not aware of this property management activity involving salesperson Morris and the Complainant, Ward, and Morris' actions with Ward were not processed through Ketchum's brokerage firm, contrary to Commission Rule 3.1(B).

IV.

MS Home Place, LLC was formed on 2/12/16 by Respondent Morris. However, MS Home Place, LLC was not granted a real estate business license by the Commission until 4/5/17. As such, MS Home Place, LLC was operated by Respondent Morris as a real estate brokerage firm without a company license for a year, contrary to M. C. A. §73-35-1. Additionally, Morris, who only later received her broker license from this Commission on 3/21/17, operated this brokerage company for a year without herself possessing a broker's license.

V.

In his complaint, Ward stated that he began having problems with his tenant so Ward decided to sell his rental property. The tenant moved out on 12/20/17. Respondent Morris said she would try to find a buyer. Ward and Respondent Morris did not enter into a listing agreement. Additionally, there was no WWREB form executed between Respondent Morris and Ward. Morris called a couple of days later and said she had found an investor that would offer \$50,000 cash. Ward had determined the median sale price for a home in that area was \$58,000, and he had just replaced a heat pump, carpet, interior and exterior paint, so Ward told Respondent Morris that he would accept \$60,000 and Ward asked Morris to explore lease-to-own possibilities.

VI.

On or about 1/15/18, Ward called Morris asking if there had been any progress. Morris said she was having trouble locating a lease-to-own candidate, but the cash investor was still interested. Ward said he now would take \$55,000. Morris called Ward back on the 20th and said the offer was accepted and that she'd send Ward a contract. Ward received a contract, signed and dated it on 1/20/18, and sent it back to Morris but said he never received a copy. Closing occurred on 2/9/18.

VII.

Ward researched the buyer, AVA Investment Properties, LLC, and discovered it was formed on 1/19/18 by Respondent Natilyn C. Morris, named as manager, and Morris' daughter Maya Johnson, named as the registered agent. This LLC was formed one day prior to the offer to purchase being sent to Ward by Respondent Morris. The address of AVA Investment Properties, LLC is 120 Park Ln, Brandon, MS 39407, which is the residential address of Respondent Morris.

The escrow company for this sale contacted Ward and sent him the closing settlement statement. That document showed AVA Investment Properties, LLC had assigned the sale of Ward's property to Rex Residential Property Owner, LLC for a \$12,000 assignment fee. There was no sales commission on this transaction reflected on the closing document. There was an additional assignment fee in the amount of \$2500 paid to Home Buyers Network by the subsequent actual buyer, Rex Residential. Consequently, Rex Residential paid almost \$71,000 for the house that Ward had agreed to sell for \$55,000.

VIII.

Ward provided the Commission with a copy of the sales contract showing only his signature as seller, dated 1/20/18. The buyer, AVA Investment Properties LLC, neither signed or dated the copy in Ward's possession. Ward included an email he sent to Morris, dated 1/28/18, wherein he stated his suspicions that the reason Morris never got back in touch with Ward with any info on lease option or listing activity, but had only told Ward that the investor's offer was still open, was because she wanted to purchase Ward's property for herself. Ward also stated that he never received a signed copy of the executed contract. Morris should have disclosed to him that she was a member of the LLC offering to buy his property. Judging from the timing of the AVA Investment Properties, LLC formation, it appears that Morris had planned on purchasing Ward's property from the beginning. This reveals a breach of fiduciary duty as improper self-dealing by Respondent Morris.

IX.

A copy of the formal complaint with notice letter was duly served on Respondent Morris. On May 3, 2018, Respondent Morris' response was received by the Commission. Morris stated that her business relationship with Ward began on 4/1/16 when MS Home Place was contacted to provide property management services for Ward's property. Morris stated that her services were to solely manage Ward's property. As written in the property management agreement, MS Home Place was responsible for collecting rent and providing repairs for the purpose of renting or leasing it. Broker compensation was received solely from rental payments collected directly from the tenant. Morris stated that in November of 2017, they discussed issues with the tenant that was then renting Ward's property. Morris provided the tenant with an eviction notice 11/19/17, as instructed by Ward, and Morris offered to utilize her contacts in the housing investment industry to inquire if there was any interest in purchasing Ward's property. This property management company was not then licensed by the Commission and Respondent Morris did not then hold a broker's license. She and Ward briefly discussed allowing her to list the home but there was no further communication about it and no written contract was entered. Morris stated that she did not receive any *more* compensation, since the property was unoccupied, and that she never provided Ward with any verbal or written assurances that she would list, solicit or negotiate a sale of the property as his agent for his benefit. Morris stated that she provided a comparable sales report to Ward and Morris included a copy of same in her response to the Commission.

X.

Respondent Morris said that she informed Ward of two potential buyers; one declined after a physical inspection of the home; the second was interested in a lease option, but only if Ward would do a total rehab, which Ward declined to do. Morris further stated that a third buyer, Maya Johnson, (who turned out to be Morris' adult daughter) had an investor buyer to purchase investment properties. Morris told Ward that the investor would buy the home "as is" in the amount of \$50,000 cash. Ward was asking \$60,000. After a couple of weeks, Ward called to ask about any new buyers. Morris stated that there were none, but the cash offer was still on the table. Ward countered at \$55,000 and said if the buyer would offer that amount, he would accept.

XI.

Morris further stated that she communicated Ward's offer to Maya Johnson and that Maya Johnson handled the transaction from that point forward. Morris stated that she did not list the home, nor did she receive any compensation from the sale. Morris claimed that the settlement statement would show that there was not a 5% commission paid to her as a listing agent, therefore she believed she was not in violation of any of the realtor's code of ethics. It was beyond her control, Morris claimed, whether a buyer could resale or wholesale a home for more than the purchase price, as Morris claimed was the case with Ward's property. Morris also claimed that it is immaterial that her daughter was the initial buyer. Morris asserted that whether or not this family relationship between Respondent Morris and the "buyer" Johnson was in fact disclosed to Ward would not have changed the purchase price, nor would it have prevented any compensation on Morris' part, as Morris claims she did not receive compensation for listing the property. However, the resulting buyer, Rex Residential, LLC, paid almost \$71,000 for a house that Ward thought he was selling for \$ 55,000.

XII.

Respondent Morris included a copy of the property management agreement with her response. This form, however, did not contain the signature of the owner, Ward. There was no WWREB document executed between Respondent Morris and Ward, contrary to MREC Rule 3.2. On May 4, 2018, Respondent Morris was presented with a request for additional documents not previously provided and responses to some additional questions. Morris' response to that request was that she had no closing document, no contract for sale, or WWREB form because Morris claimed she was not involved in any manner with the sale of Ward's property. Morris claimed she did not represent Ward nor anyone else in the listing or selling of Ward's rental property.

XIII.

When asked if her principal broker, Ketchum, was aware that, during the time in question, Morris was working for MS Home Place and had entered into a property management agreement on 4/1/16. Morris' answer was that since the agreement was between Ward and MS Home Place, (an unlicensed company with no principal broker) and not in Morris' individual capacity as realtor, Morris did not think it was necessary for her to inform her principal broker. Morris was asked if she received any compensation from the sale of the property. She replied that she did not receive a commission from the sale of the property. This position is contrary to the clear language of M. C. A. §73-35-3.

XIV.

According to MREC's records, the date of the management agreement (4/1/16) was one year prior to MS Home Place being granted a real estate license by the Commission (4/3/2017). The Commission received Morris' application to license MS Home Place as a brokerage firm in April of 2017. Morris' answer was that MS Home Place was initially formed to be an investment company for purchasing, selling, and renting residential properties. When Ward entered into the property management agreement, Morris was operating under the impression that MS Home Place could take on the responsibility of handling his property. After Morris received her broker's license, she then decided to use the company as her brokerage company, instead of creating a separate entity, which Morris now realizes was error.

XV.

Ward was provided Morris' response for rebuttal. Ward's rebuttal to Morris' response, received by the Commission on May 22, 2018, was as follows:

Morris stated that her compensation came solely from rental payments. Ward said that Morris had also collected a 15% vendor management fee on vendor repairs. Ward submitted a copy of an invoice describing a 15% vendor management fee for 410 Bogey Cove in the amount of \$37.06. There was no mention of this vendor management fee in the property management agreement. Upon further inquiries with Ward about the vendor management fees, Ward stated that he was charged for other vendors as well. He included an invoice from Silver Starr Services & Renovations LLC for \$2650 for replacing an AC condenser unit and coil, and an invoice from MS Home Place for a 15% vendor management fee in the amount of \$397. Ward stated that his initial 5 vendor billings

didn't include management fees. After Ward and Morris' debate about the management agreement renewal, and Morris charging Ward a 100% manager placement fee instead of 50% as the agreement stated, their business relationship became tense. After the renewal date of the management agreement, which was 9/13/17, Morris started charging the vendor fee. These fees were not noted in either the original or in the renewed management agreement. Ward claimed he received three invoices after 9/13/17, and two of them had a vendor fee charged as well. He was made aware of the fee in early October of 2017. Further, Ward said that Morris never made him aware there were any potential buyers other than AVA Investment Properties, LLC. Morris emailed Ward the contract for sale. This act showed that Morris was involved in the transaction. Ward noted that Morris was a managing member of AVA Investments and her home address was listed as the company's address. Ward replied that he did not allege that Morris received a commission; he alleged Morris tried to extort a commission from him. Ward wrote that if Morris had disclosed that the "investor", AVA Investments, was owned by Morris' daughter and that Morris herself was a managing member with her home address listed as the company's address, Ward would have stopped the sale.

XVI.

Respondent Morris was requested to provide a copy of her entire file including the warranty deed as well as a written explanation of how AVA Investments earned a \$ 12,000 "assignment" fee. Morris was also asked if AVA Investments has received any assignment fees for the title transfer of any other Mississippi properties. Morris responded that she had spoken with her daughter, Maya Johnson, to gather the information requested and that her daughter stated that there was no deed in the transaction, only an assignment contract. Morris went on to say that AVA Investments negotiates its own assignment fee between itself and its assigner, and that the fee is

decided arbitrarily. AVA Investments had not received any assignment fee for any other title transfers in Mississippi. An executed sales agreement between AVA Investments and the Complainant, Clarence Ward of WRD Group LLC, was provided by Respondent Morris.

XVII.

Because Morris stated she had no copies of the closing documents between Ward and the resulting buyer, Rex Residential, LLC, a Subpoena Duces Tecum was served on OS National LLC, the settlement agent. The requested documents were received by the Commission on June 15, 2018. Among the documents received was a fully executed copy of the Assignment Agreement wherein AVA Investments sold its contractual right to purchase Ward's house to the resulting buyer, Rex Residential, for the amount of \$ 12,000, paid at closing to AVA Investments.

XVIII.

Respondents have pursued and continued in a course of action involving, at a minimum, a gross breach of fiduciary duties to the principal including the duty of loyalty, obedience, and disclosure. Additionally, Respondents have demonstrated a significant dearth of required knowledge necessary to competently conduct real estate transactions. The relevant Miss. Statute and Rules and Regulations of the Mississippi Real Estate Commission state, in relevant parts:

M. C. A. §73-35-1. Citation of chapter; license requirement

This chapter shall be known, and may be cited, as "the Real Estate Brokers License Law of 1954"; and from and after May 6, 1954, it shall be unlawful for any person, partnership, association or corporation to engage in or carry on, directly or indirectly, or to advertise or to hold himself, itself or themselves out as engaging in or carrying on the business, or act in the capacity of, a real estate

broker, or a real estate salesperson, within this state, without first obtaining a license as a real estate broker or real estate salesperson as provided for in this chapter. (emphasis added)

§73-35-3. Definitions; applicability of chapter

(1) The term "real estate broker" within the meaning of this chapter shall include all persons, partnerships, associations and *corporations*, foreign and domestic, who for a fee, commission or other valuable consideration, or who with the intention or expectation of receiving or collecting the same, list, sell, purchase, exchange, rent, lease, manage or auction any real estate, or the improvements thereon, including options; or who negotiate or attempt to negotiate any such activity; or who advertise or hold themselves out as engaged in such activities; or who direct or assist in the procuring of a purchaser or prospect calculated or intended to result in a real estate transaction. The term "real estate broker" shall also include any person, partnership, association or corporation employed by or on behalf of the owner or owners of lots or other parcels of real estate, at a stated salary or upon fee, commission or otherwise, to sell such real estate, or parts thereof, in lots or other parcels, including timesharing and condominiums, and who shall sell, exchange or lease, or offer or attempt or agree to negotiate the sale, exchange or lease of, any such lot or parcel of real estate. (emphasis added)

(3) One (1) act in consideration of or with the expectation or intention of, or upon the promise of, receiving compensation, by fee, commission or otherwise, in the performance of any act or activity contained in subsection (1) of this section, shall constitute such person, partnership, association or corporation a real estate broker and make him, them or it subject to the provisions and requirements of this chapter. (emphasis added)

M. C. A. §73-35-21:

- (a) Making any substantial misrepresentation;
- (c) Pursuing a continued and flagrant course of misrepresentation or making false promises through agents;
- (n) Any act or conduct, which constitutes or demonstrates bad faith, incompetency or untrustworthiness, or dishonest, fraudulent, or improper dealing.

MREC Rules

Rule 3.1 General Rules

B. A real estate broker who operates under the supervision of a responsible broker must not at any time act independently as a broker. The responsible broker shall at all times be responsible for the action of the affiliated broker to the same extent as though that licensee were a salesperson and that affiliated broker shall not perform any real estate service without the full consent and knowledge of his employing or supervising broker.

However, should the responsible broker agree that a broker under his supervision may perform certain real estate services outside the responsible broker's supervision or direction the responsible broker shall notify the Commission in writing as to the exact nature of such relationship and the names of the broker or brokers involved. The responsible broker shall immediately notify the Commission in writing upon the termination of such relationship.

Rule 4.3 Disclosure Requirements

A. In a single agency, a broker is required to disclose, in writing, to the party for whom the broker is an agent in a real estate transaction that the broker is the agent of the party. The written disclosure must be made before the time an agreement for representation is entered into between the broker and the party. This shall be on an MREC Agency Disclosure Form. (WWREB)

B. In a single agency, a real estate broker is required to disclose, in writing, to the party for whom the broker is not an agent, that the broker is an agent of another party in the transaction. The written disclosure shall be made at the time of the first substantive meeting with the party for whom the broker is not an agent. This shall be on an MREC Agency Disclosure Form. (WWREB)

DISCIPLINARY ORDER

THEREFORE, by agreement, understanding and consent, the Commission **ORDERS** discipline as follows:

As to Natilyn C. Morris, Principal Broker, the Commission orders that her license incur a twelve (12) month suspension period beginning April 01, 2019; during the last six (6) months of this full suspension, Morris is to complete 30 hours of Broker post-licensing courses. Said education is to be completed in a classroom environment, rather than through on-line education. Further, these classes will be courses approved by this Commission, be in addition to any regular hours of continuing education that may be required of her for license renewal and will not be the same classes from the same provider as those used by this Respondent in her last renewal period. Evidence of completion of these classes is to be provided to this Commission.

So found and Ordered, this the 27th day of MARCH, 2019.

MISSISSIPPI REAL ESTATE COMMISSION



BY: *Robert E. Praytor*
ROBERT E. PRAYTOR, Administrator

AGREED: *Natilyn Morris*
Natilyn C. Morris, Individually
and on behalf of MS Home Place, LLC

DATE: 3/27/19